

UNCLASSIFIED

Iraq

Status Report

August 4, 2010



Bureau of Near Eastern Affairs
U.S. Department of State

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HIGHLIGHTS



- **Obama Renews Commitment to Troop Drawdown (*DIPLOMATIC*, page 4)**
- **INA Breaks Off Talks with Maliki (*POLITICAL*, page 5)**
- **Taji Air Force Base Receiving Substantial Upgrades as Iraqi Air Force Tries to Regain Regional Footing (*SECURITY*, page 10)**
- **Iraq's First "Mini-City" to be Built Outside of Baghdad (*ECONOMIC*, page 17)**

DIPLOMATIC – Political Engagement



Normalization of U.S.-Iraqi relations continues

Obama Renews Commitment to Troop Drawdown:

- **In a speech to U.S. war veterans on August 2, President Barack Obama renewed his commitment to complete the drawdown of U.S. combat forces in Iraq by August 31, 2010. The President was speaking at the Disabled American Veterans National Conference in Atlanta, Georgia, and emphasized that, “our commitment in Iraq is changing from a military effort led by our troops to a civilian effort led by our diplomats.”**

POLITICAL – Governance & Legislation

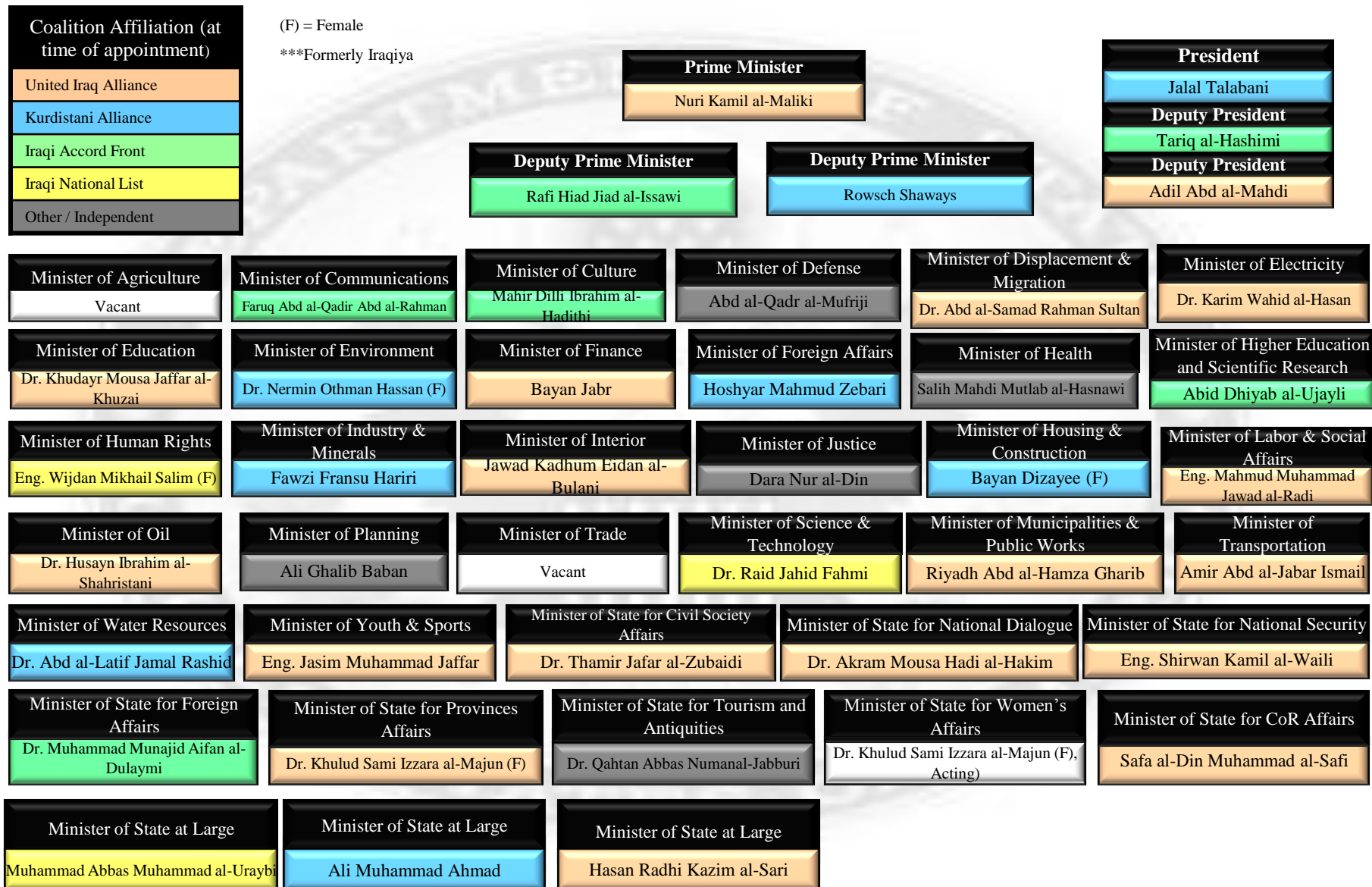


Government formation negotiations continue

INA Breaks Off Talks with Maliki:

- **The Iraqi National Alliance (INA) broke off talks with Prime Minister Nuri al-Maliki on August 1. Qassim al-Araji, a member of the INA, said that the bloc was distancing itself from Maliki's prime ministerial bid. The INA has renewed negotiations with Iraqqiya.**

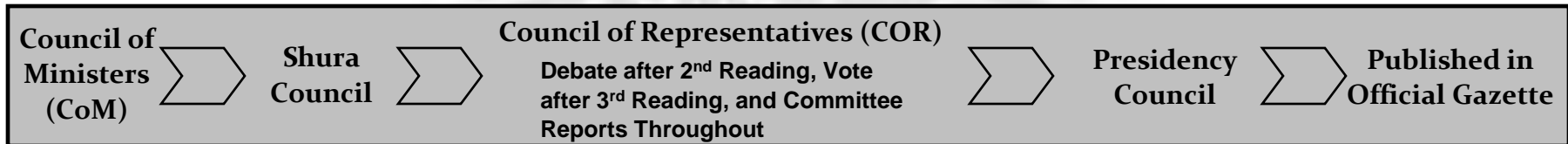
POLITICAL – Government of Iraq





POLITICAL – Key Legislative Issues

Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law:** This law, approved March 3, will regulate the operations and funding of Non-Governmental Organizations operating within Iraq.

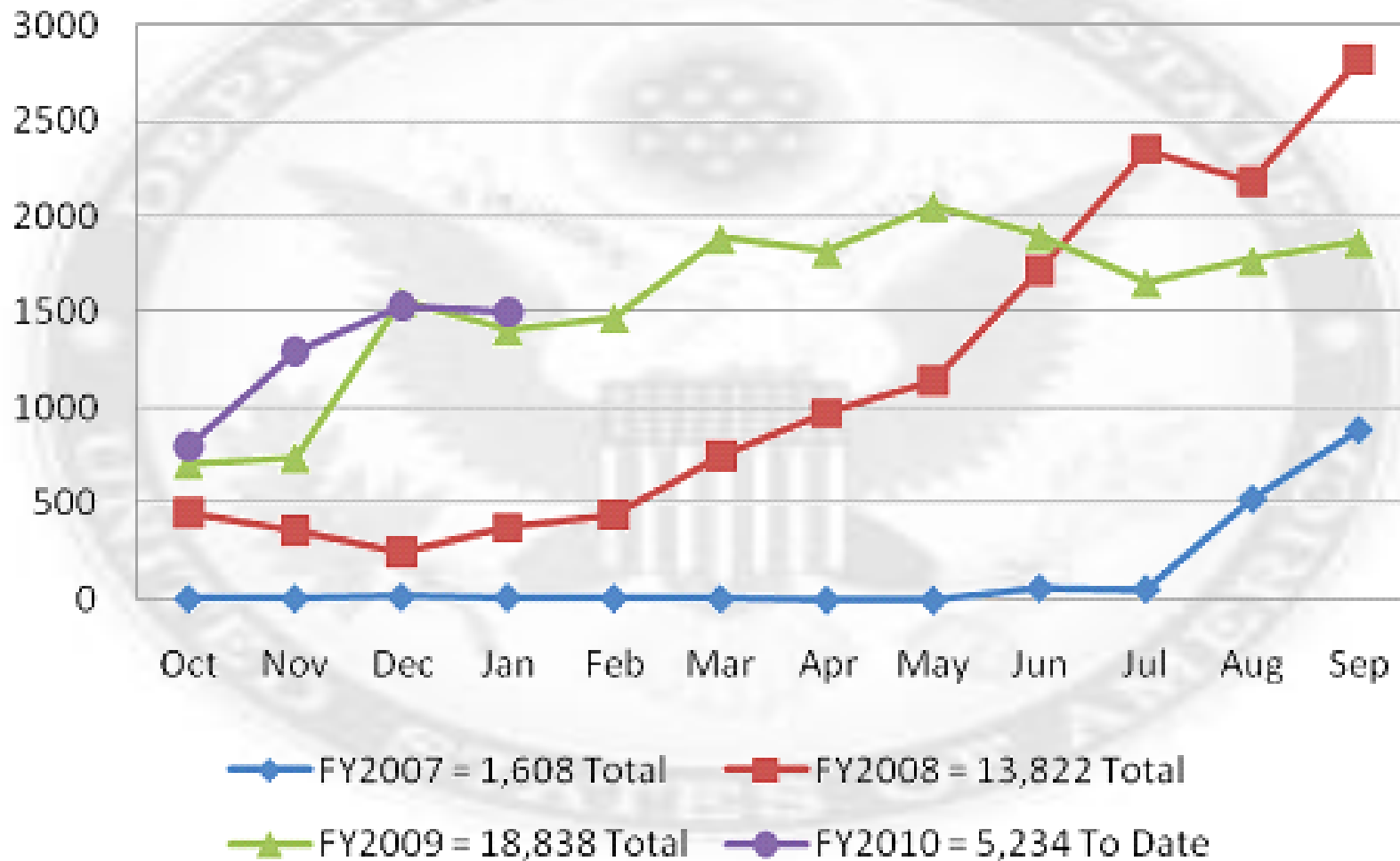
POLITICAL – Refugee Update



- There are almost 229,000 Iraqi refugees currently registered with the UN High Commissioner for Refugees (UNHCR) in neighboring countries and an undetermined number of unregistered refugees. UNHCR reports that 1.5 million Iraqis remain internally displaced due to sectarian violence following the Samarra Mosque bombing of February 2006.
- Since the beginning of 2008, some 464,000 Iraqis have returned to their neighborhoods in Iraq. The majority of the Iraqis returning were internally displaced persons.
- In FY09, the U.S. Government contributed \$387 million to international and non-governmental organizations to assist Iraqi refugees, internally displaced, and conflict victims.
- Since the program's inception in FY07, 47,841 Iraqi refugees have been admitted to the U.S. for resettlement.
- As of September 2009, a total of 1,143 Special Immigrant Visas (SIVs) have been issued for Iraqi translators and interpreters (and their dependents) since FY07 (under the Section 1059 program).
- As of September 2009, a total of 1,716 SIVs have been issued for Iraqis employed by the U.S. government (and their dependents) since FY08 (under the Section 1244 program).

POLITICAL – Refugee Update

Iraqi Admissions to the U.S.



SECURITY – Situation Update



Iraqi Air Force receives boost with construction of largest regional air hangar

Taji Air Force Base Receiving Substantial Upgrades as Iraqi Air Force Tries to Regain Regional Footing:

- The U.S. Army Corps of Engineers is currently overseeing the construction of the largest clear-span building in the Middle East at Taji Air Force Base in an effort to bring the Iraqi Air Force up to standards. The new MI-17 helicopter hangar will house six maintenance bays and office space. In addition, the Corps is overseeing the construction of a new state-of-the-art air traffic control tower, a fueling station, and an operations building that will house flight simulator equipment. The project is expected to be completed in October.

Al-Qaida in Iraq Raises Insurgent Flag Following Attacks on Iraqi Security Forces:

- Following the July 29 attacks that left at least 16 security officials dead in Azamiyah, a predominantly Sunni district in Baghdad, militants close to the site reportedly raised the al-Qaida in Iraq (AQI) insurgent flag. It was also reported that several bodies were burned as well. Officials are calling the flag raising “part of an attempt by the terror group to once again infiltrate the Sunni neighborhood.”

ECONOMIC – Oil



Crude Oil Update:

Price averages in world markets closed with the following prices:

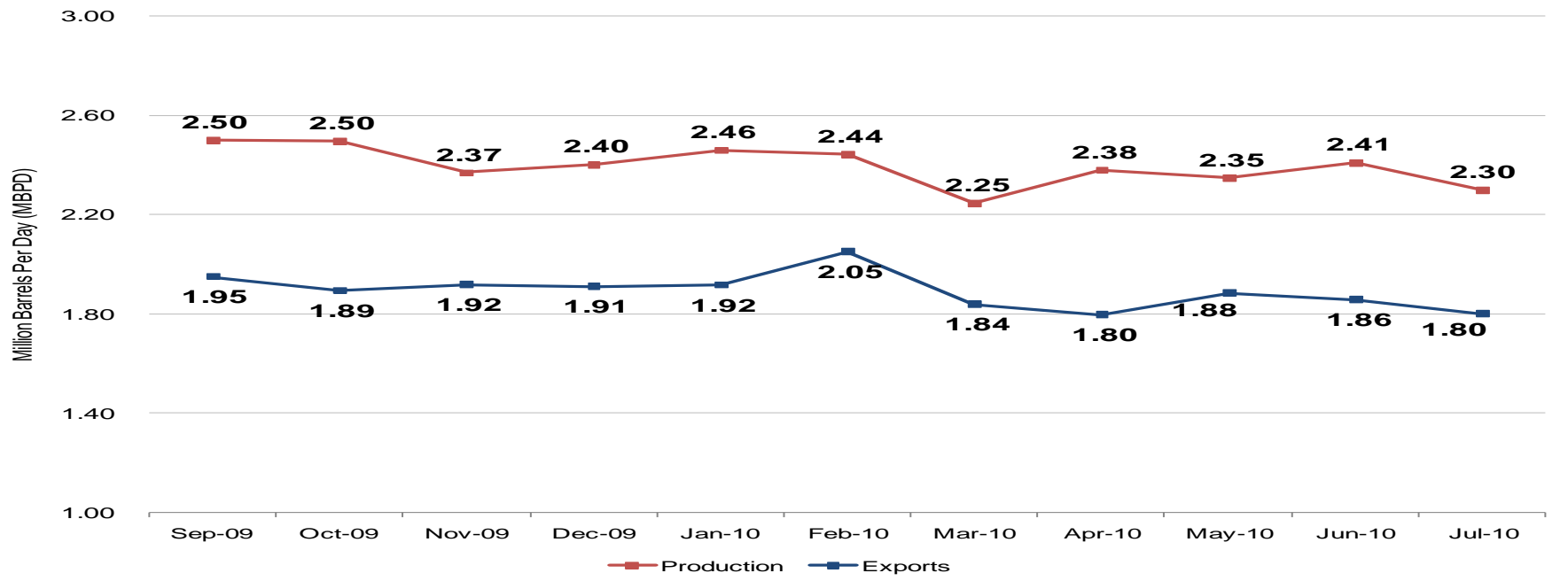
Basrah Light at \$75.52/barrel

Dated Brent at \$76.62/barrel

WTI Cushing at \$78.16/barrel

Oman/Dubai at \$73.59/barrel

Iraq Crude Oil Production and Exports



Note: Y-Axis starting point has been changed from zero to 1.0

Revenue estimates:

2008: \$61.9 Billion

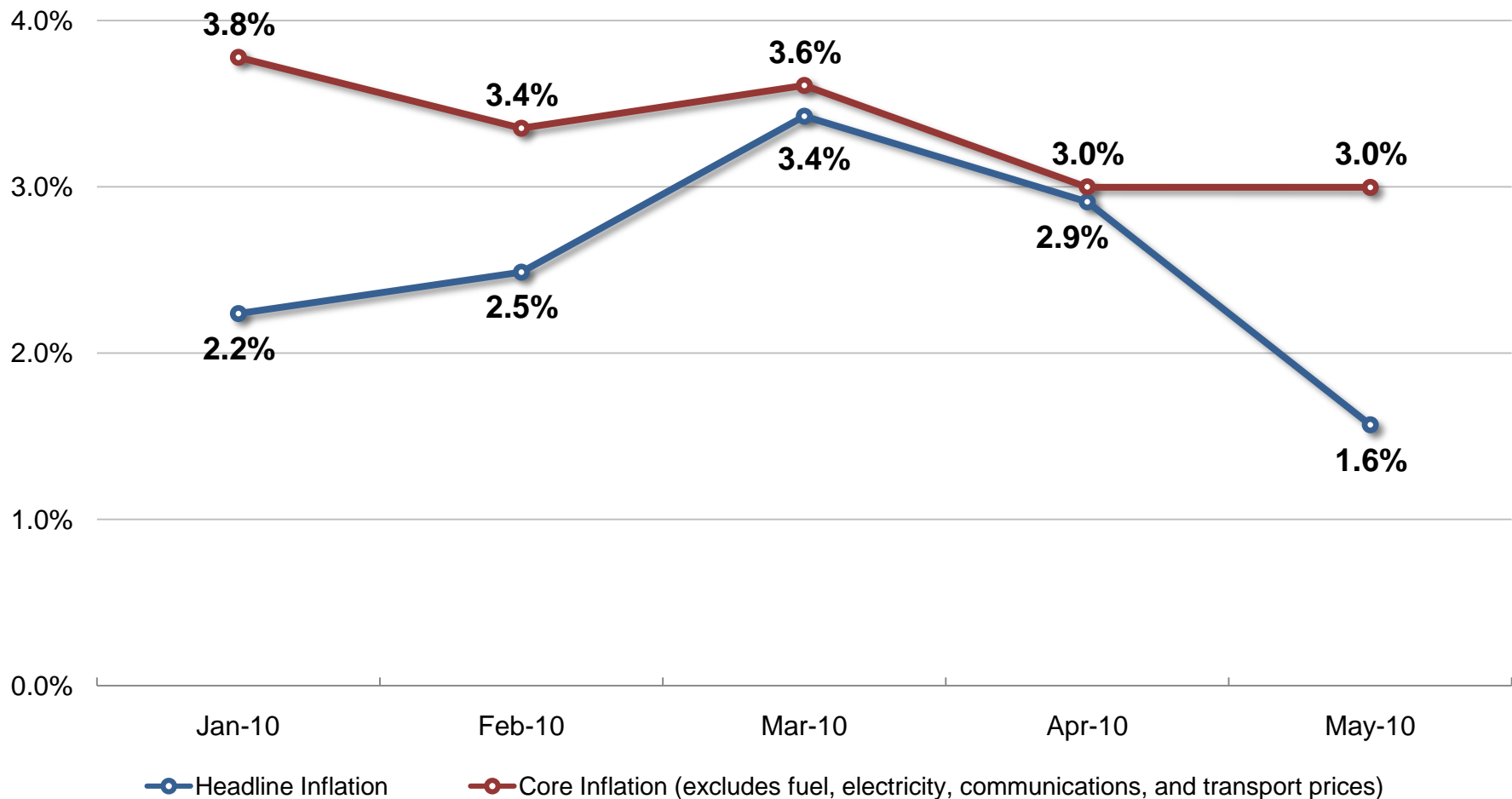
2009: \$39.2 Billion

2010 (ytd): \$26.6 Billion

ECONOMIC – Fiscal and Monetary Affairs



Iraq: Year-on-Year Inflation



- In 2010, the Central Bank of Iraq began using a new Consumer Price Index. As a result, year-on-year inflation data prior to January 2010 cannot be directly compared.

ECONOMIC – Fiscal and Monetary Affairs



Economic Indicator	This Week	Last Week	Last Month	Last Year
Iraqi Debt Swap Bond Prices and Yields				
Price (USD)	\$84.23	\$83.63	\$83.15	\$64.50
Yield	7.43%	7.50%	7.55%	10.32%



ECONOMIC – Energy (Steam and Natural Gas)

Roadshow publicizes natural gas development opportunities and challenges

Ministry of Oil Officials in Turkey to Stimulate Interest in Natural Gas Projects:

- **Ministry of Oil (MOO) officials are touring Turkey as part of a roadshow to promote 20 year contracts for the underdeveloped Akkas, Mansouriya, and Siba gas fields. In total, these fields hold 11.2 trillion cubic feet in natural gas reserves. While some 45 international companies who bid in previous oil auctions are eligible to compete for these gas awards, their interest has been tempered due to security concerns and discontent over the terms of the contract. To stimulate participation, GOI has hinted at changing the model contract, including incentivizing export terms. The final awards are expected to be made this year.**

French Alstrom to Generate Steam Power and Train Iraqi Engineers in Plant Operations:

- **The GOI and French engineering company Alstrom signed a Memorandum of Understanding (MOU) to develop a power plant near the city of Basrah. The plant, which will supply 1,200 megawatts of capacity, will be comprised of three oil-fired steam units. In addition, the agreement outlines terms for Alstrom to train Iraqi technicians and engineers to operate plant substations. The total cost of the project is estimated to be between \$1-2 billion, spent over two to three years. The parties anticipate that a final agreement of terms will be reached by year's end.**

ECONOMIC – Energy (Steam and Natural Gas)



Roadshow publicizes natural gas development opportunities and challenges

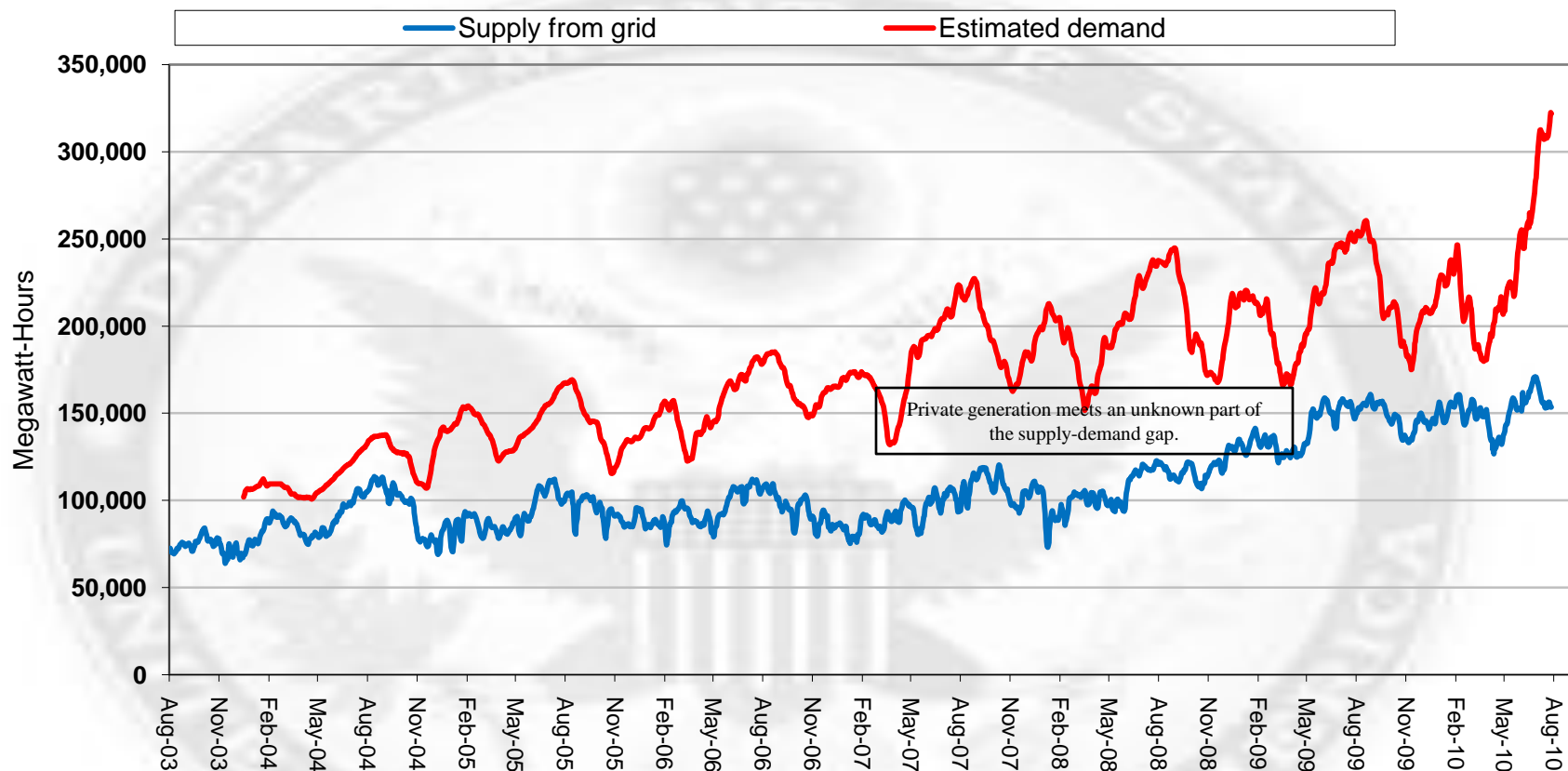
Private Sector Weary of Iraqi Infrastructure's Ability to Support Natural Gas Exports:

- **The private sector contends that Iraq must invest in infrastructure before awarding contracts on three major natural gas fields currently under bid. In recent months, there has been contention between the MOO and private industry over contract terms for developing these fields, which the MOO hoped to mitigate by allowing companies to export half of the gas they produce. Whereas the MOO has advertised this as a perk of the contract, the companies are now calling this a “negative condition,” as companies are concerned about treating, processing, storing, and transporting the gas they produce given the state of Iraq’s infrastructure. Their comments to the media came during the MOO’s two-day roadshow in Istanbul, which was organized to generate greater interest in developing Iraq’s natural gas sector.**

ECONOMIC – Public Services (Electricity)



Daily Electricity Supply from the Grid and Estimated Daily Demand



- Electricity supply from the grid July 27-August 2 was 3% above the same period in 2009 and met 48% of estimated demand compared with 60% for the year-earlier period.
- For the month of July, grid supply was 1% below 2009 and met 52% of demand compared with 64% for July 2009.

ECONOMIC – Private Sector (Construction)



Construction projects to build homes and mini-cities in Iraq and Jordan

Iraq's First "Mini-City" to be Built Outside of Baghdad:

- According to the head of the Baghdad Investment Commission, an Iraqi company is designing a "village of businesses" about 30 minutes away from Baghdad's city center. The village will offer amenities, including offices, restaurants, hotels, banks, stores, car rentals, and government branches. The concept of a "mini-city" is meant to encourage foreign direct investment that has been slow to come into the country due to investors' fears over security and instability. The project is expected to cost \$250 million and will be completed in three to five years.

Iraq and Jordan Will Contribute to Each Other's Housing Sector Development:

- Officials from the Iraqi Ministry of Housing and Construction met with officials from Jordan's Ministry of Public Works regarding activation of an MOU signed in February pertaining to housing and construction projects. Negotiations are underway to establish a consortium of Jordanian contractors and investors that will develop housing projects in Iraq. Iraqi companies were also invited to take part in Jordanian housing initiatives, including one program designed to build model cities within the Kingdom. It is anticipated that working groups will be organized and will meet every six months to oversee the implementation of any official agreements signed.

Beyond Baghdad



English Teaching Methods In Kirkuk

Kirkuk

Erbil

“...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services.”

President Barack Obama

Recent Highlights

The Kirkuk PRT recently held a five-day training program for English-language teachers from area public and private schools. The week began with a meeting of educators and staff from “For U Institute,” an NGO initially funded by a PRT grant that teaches English and computer skills to young adults in Kirkuk. The teachers were excited to discuss unique approaches to teaching English. The discussions were followed by a three-day training program with the 25 participating teachers learning modern teaching techniques and a new student-centered approach that the Ministry of Education hopes to promote in local schools.

Staff from the Regional Reconstruction Team in Erbil awarded certificates to 70 Zervany security officers for their completion of a six-month long English-language program. The U.S. Embassy in Baghdad provided a \$25,000 grant to the Hiwa Language School for language training for the 70 guards. The English-language program represents one of the many initiatives to provide new skills to the Zervany, and will further enhance security coordination between the American and Iraqi Kurdish security teams. Major General Aziz Waysi and a delegation from the RRT were present to congratulate the guards on their completion of the English course.



CONTACT INFORMATION

This brief draws from multiple sources. References are cited on the following pages.

For additional information, please see:

- Department of State, Section 2207 Report on Iraq Relief and Reconstruction
<http://2001-2009.state.gov/p/nea/rls/rpt/>
- Department of State, Section 1227 Report on Iraq
<http://2001-2009.state.gov/p/nea/rls/rpt/>
- Department of Defense, Section 9010 Measuring Stability and Security in Iraq
http://www.defenselink.mil/home/features/Iraq_Reports/index.html

Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



NOTES AND SOURCE CITATIONS (1 of 2)

Slide 4:

- Aswat al-Iraq, August 2, <http://en.aswataliraq.info/?p=135188>

Slide 5:

- UPI, August 2, http://www.upi.com/Top_News/Special/2010/08/02/Malikis-chances-at-new-term-dwindling/UPI-90971280764035/
- Washington Post, August 2, <http://www.washingtonpost.com/wp-dyn/content/article/2010/08/01/AR2010080102389.html>

Slides 6-9:

- Department of State, NEA Political Section, NEA-I-POL-DL@state.gov

Slide 10:

- USF-I, August 2, <http://www.usf-iraq.com/news/headlines/iraq-getting-largest-air-hangar-in-region>
- AP, July 29,
http://hosted.ap.org/dynamic/stories/M/ML_IRAQ?SITE=CALAK&SECTION=HOME&TEMPLATE=DEFAULT

Slides 11-12:

- Department of State, NEA/I Economics Section, NEA-I-ECON-DL@state.gov

Slide 13:

- Department of State, NEA/I Iraq Policy and Operations Group, NEA-I-IPOG-DL@state.gov



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Slide 14:

- Dow Jones Newswires, July 30, <http://www.zawya.com/Story.cfm/sidZW20100730000085/Iraqi%20Roadshow%20To%20Detail%20Development%20Terms%20For%20Gas%20Fields>
- Reuters Africa, July 29, <http://af.reuters.com/article/energyOilNews/idAFKAM92514920100729?sp=true>

Slide 15:

- Dow Jones Newswires, August 2, <http://online.wsj.com/article/BT-CO-20100802-706884.html>

Slide 16:

- Department of State, NEA/I Economics Section, NEA-I-ECON-DL@state.gov

Slide 17:

- Reuters, July 28, <http://www.reuters.com/article/idUSTRE66R2PO20100728>
- Jordan News Agency, August 1, <http://www.zawya.com/Story.cfm/sidZAWYA20100802044018/Jordan%20C%20Iraq%20discuss%20housing%20MoU>

Slide 18:

- Source for Stories: Education & Culture, July 2, <http://iraq-prt.usembassy.gov/20100722kurkuk1.html>
- Education and Culture, July 26, <http://iraq-prt.usembassy.gov/20100726erbil1.html>
- Source for President Obama's Quote: http://www.whitehouse.gov/the_press_office/Remarks-of-President-Barack-Obama-Responsibly-Ending-the-War-in-Iraq/
- Source for photograph: Education & Culture, July 2, <http://iraq-prt.usembassy.gov/20100722kurkuk1.html>